

# Coin-Operated Amusement Machine Regulation and Taxation

Susan Combs, Texas Comptroller of Public Accounts

OCTOBER 2011

The Coin-Operated Machines Law provides comprehensive and uniform statewide regulation of music and skill or pleasure coin-operated machines. Coin-operated machines include all types of electronic devices that require the customer to insert a coin, bill, metal slug, token, electronic card or check to play a game, music or pleasure machine.

## Licenses and Registration Certificates

Businesses that offer coin-operated amusement machines for their customers must be licensed or registered by the Comptroller. The agency also collects a state occupation tax for each machine exhibited. An application for a license or registration certificate must include payment for fees and tax.

### General Business License

A general business license holder can manufacture, own, buy, sell, rent, lease, trade, maintain, transport, exhibit or store coin-operated amusement machines in Texas. A general business license allows the holder to exhibit a machine in another person's business.

Annual general business license fees are:

- \$200 for 50 or fewer machines
- \$400 for 51 to 200 machines
- \$500 for 201 or more machines

### Import License

An import license holder can import, transport, own, buy, repair, sell or deliver coin-operated amusement machines in Texas. An import license is necessary to purchase coin-operated amusement machines from out-of-state to resell in Texas. Import license holders must have a general business license to offer coin-operated amusement machines for play, except for machines demonstrated for free.

The annual import license fee is \$500.

### Repair License

A repair license allows the holder to repair coin-operated amusement machines for others. A repair license holder can also transport or store amusement machines in Texas.

The annual repair license fee is \$50.

Machine owners can repair their own machines without obtaining a repair license.

### Registration Certificate

A person qualifies for a registration certificate instead of a general business license if the person:

- owns or exhibits coin-operated amusement machines only in that person's own place of business;
- has no machines in another person's business; and
- has no financial interest in the coin-operated machine industry except for ownership of machines operated in that person's business.



For more information, visit our website [www.window.state.tx.us](http://www.window.state.tx.us). Receive tax help via email at [tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us).

# Coin-Operated Amusement Machine Regulation and Taxation

The annual registration certificate fee is \$150.

## Exemptions

No license, registration or occupation tax is due on machines:

- operated exclusively in a private residence for personal use;
- transported or stored by common carrier regulated by the Texas Railroad Commission;
- owned by, leased or rented to organizations operated exclusively for charitable, educational, religious or benevolent purposes. ([Eligibility information, as described in Rule 3.602](#), must be submitted to the Comptroller. An organization with social or fraternal activities does not qualify.)

License and registration certificate fees cannot be prorated. Fees cannot be refunded after a license or certificate is issued.

## Annual Renewals

Licenses and registration certificates are renewed each year no later than Nov. 30. A renewal application received after the due date may result in an expired license or registration certificate. The license or certificate must be current to display a coin-operated amusement machine.

Late fees for renewals

- \$50 for a renewal application with a December postmark.
- 1.5 times the annual fee for renewal applications postmarked not more than 90 days after Dec. 31.
- Two times the annual fee for renewal applications postmarked more than 90 days but less than two years after Dec. 31.

License and registration certificates lapsed for two years or more cannot be renewed, so the holder must apply for a new license or registration certificate.

The deadline for license and registration certificate renewals is Nov. 30.

## Denial of License/Registration Certificate

A general business license cannot be issued to a person convicted of a felony within the past five years, or who has been placed on probation or released on parole for a felony conviction within the past two years.

A general business, import or repair license may not be given to a person who fails to designate a record keeper with records maintained at an office located in Texas and made available for inspection by a representative of the Comptroller's office.

A license or registration certificate may not be given to anyone who owes outstanding fees, penalties or taxes to the state.

The above restrictions apply to officers, directors, members and shareholders owning 25 percent or more of a company.

## Illegal Gambling Devices

The coin-operated machine law does not authorize or permit the possession, operation or display of a machine prohibited by the Texas Constitution or Penal Code.

## Records Required

The law requires an owner of a coin-operated amusement machine to have complete and itemized records for each machine. The records must be kept for at least four years. Records and supporting documentation must be kept for more than four years if an owner has any issues pending before the Comptroller that may result in tax, penalty or interest being assessed, collected or refunded by the Comptroller or while an administrative hearing or judicial procedure is pending.

A license holder must report to the Comptroller identifying information on each machine owned, possessed or controlled, including the location of each machine and any change in machine ownership. The license holder must also keep a separate record showing the distribution of gross receipts on collections from each machine.

For more information, visit our website [www.window.state.tx.us](http://www.window.state.tx.us). Receive tax help via email at [tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us).

# Coin-Operated Amusement Machine Regulation and Taxation

## Record Keeper

The license holder must maintain records at the Texas office of a designated record keeper. The records must be made available for inspection, upon request, by a member of the Comptroller's office or the Office of the Attorney General. The law requires the record keeper to be an owner, partner, officer, trustee, receiver or principal member of the licensed business.

A registration certificate holder is exempt from these record-keeping requirements.

## Occupation Tax Permit

Each coin-operated amusement machine offered for use by customers must have an occupation tax permit decal visibly and securely attached to the machine.

Machine tax permits cost \$60 per calendar year but can be prorated based on the calendar quarter the machine is first exhibited in Texas. Tax permits are reissued with the license and registration certificate renewals.



To purchase permits for new machines acquired during the year, file the [Texas Application for Additional Coin-Operated Machine Tax Permit\(s\) \(Form AP-141\)](#).

Permits that are lost, stolen or destroyed may be replaced by filing the [Texas Application for Duplicate Occupation Tax Permits \(Form AP-140\)](#). Duplicate permits cost \$5 each.

Permits may be transferred with the sale of a machine during the calendar year by filing the [Coin-Operated Machine Tax Permit\(s\) Ownership Transfer Statement \(Form AP-212\)](#). There is no cost for the transfer.

## Operating Without a Permit

Anyone who displays or exhibits a coin-operated amusement machine without a valid tax permit attached is subject to a fine of \$50 to \$200. The Comptroller can assess the penalty for each day a violation occurs.

## Local Government Occupation Tax

Cities and counties may impose a coin-operated machine tax in addition to the state tax.

## Owner Reimbursement

The first money earned on the exhibition of a coin-operated machine may be paid to reimburse the owner for that year's machine occupation tax permit. Each year, enough money is taken from a coin-operated machine to reimburse the owner for the following year's machine occupation tax permit. By law, the owner cannot waive this reimbursement.

## Distribution and Refunds of Receipts

A general business license holder cannot offer a business more than 50 percent of the

gross receipts from a coin-operated amusement machine after tax reimbursement. A business owner cannot have keys or other access to a machine's cash box unless the machine has an income meter.

Refunds for a malfunctioning machine can be paid to a business owner only when the license holder is given the name, address and telephone number of the person who deposited money in the machine and the amount of money deposited.

## Sales Tax on Machines

State and local sales tax is due on the purchase of all machines, unless purchased exclusively for resale.

For more information,  
visit our website  
[www.window.state.tx.us](http://www.window.state.tx.us).  
Receive tax help  
via email at  
[tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us).

## Coin-Operated Amusement Machine Regulation and Taxation

A license or registration certificate holder who does not engage in the business of selling taxable items can sell two machines in a 12-month period without collecting sales tax. Sales tax is due on the third and subsequent sales. The license or registration certificate holder must obtain a general business or import license before selling a third machine.

For information on applying for a sales and use tax permit and filing tax returns, visit any Comptroller [field office](#) or call 1-800-252-5555. Information is also available on the Comptroller's [website](#).

### Machine Receipts Exempt from Sales Tax, Except for Purchase

Machine receipts are exempt from sales taxes except when used as payment for the purchase of a machine, including an agreement in which the license holder is guaranteed a minimum payment regardless of the actual income from the machine.

### Changes in Machine Location

A registration certificate holder must notify the Comptroller within 10 days of moving a machine to a different location by filing the [Machine Location Amendment for Registration Certificate Holders \(Form AP-142\)](#). The holder should complete a separate form for each location where machines are moved.

### Tax Code Administrative Procedures

The law allows the use of administrative procedures in the Texas Tax Code for the recovery of delinquent taxes, penalties and permit fees. The procedures can include collection activities, tax liens, administrative hearings, and taxpayer lawsuits.

## We're Here To Help! *Call Toll-Free!*

If you have questions or need information on a specific tax, please call our toll-free numbers:

#### (800) 252-5555

911 Emergency Service/Equalization Surcharge  
Automotive Oil Fee  
Battery Fee  
Boat and Boat Motor Sales Tax  
Customs Broker  
Fireworks Tax  
Mixed Beverage Tax  
Off-Road, Heavy-Duty Diesel Equipment Surcharge  
Oyster Fee  
Sales and Use Taxes  
Telecommunications Infrastructure Fund

#### (800) 531-5441

Cement Tax  
Inheritance Tax  
Local Revenue  
Miscellaneous Gross Receipts Taxes  
Oil Well Servicing Tax  
Sulphur Tax

#### (800) 531-5441, ext. 3-3630

WebFile Help

#### (800) 252-1381

Bank Franchise  
Franchise Tax

#### (800) 252-7875

Spanish

#### (800) 531-1441

Fax on Demand (Most frequently requested Sales and Franchise tax forms)

#### (800) 252-1382

Clean Vehicle Incentive Program  
Manufactured Housing Tax  
Motor Vehicle Sales Surcharge,  
Rental and Seller Financed Sales Tax  
Motor Vehicle Registration Surcharge

#### (800) 252-1383

Fuels Tax  
IFTA  
LG Decals  
Petroleum Products Delivery Fee  
School Fund Benefit Fee

#### (800) 252-1384

Coastal Protection  
Crude Oil Production Tax  
Natural Gas Production Tax

#### (800) 252-1387

Insurance Tax

#### (800) 252-1385

Coin Operated Machine Tax  
Hotel Occupancy Tax

#### (800) 252-1386

Certificates of Account Status/Good Standing  
Officer and Director Information

#### (800) 862-2260

Cigarette and Tobacco

#### (888) 4-FILING (888-434-5464)

TELEFILE: To File by Phone

#### (800) 252-1389

GETPUB: To Order Forms and Publications

#### (800) 654-FIND (800-654-3463)

Treasury Find

#### (800) 321-2274

Unclaimed Property Claimants  
Unclaimed Property Holders  
Unclaimed Property Name Searches  
(512) 463-3120 in Austin

#### (877) 44RATE4 (877-447-2834)

Interest Rate

### Texas Comptroller of Public Accounts Publication #96-256 Revised October 2011

For additional copies write:

Texas Comptroller of Public Accounts  
111 East 17th Street  
Austin, Texas 78711-1440

For more information, visit our website

[www.window.state.tx.us](http://www.window.state.tx.us)

Receive tax help via email at

[tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us)



Sign up to receive e-mail updates on the Comptroller topics of your choice at [www.window.state.tx.us/subscribe](http://www.window.state.tx.us/subscribe).

The Texas Comptroller of Public Accounts is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age or disability in employment or in the provision of any services, programs or activities.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by calling the appropriate toll-free number listed at left, or by calling:

(512) 463-4600 in Austin  
(512) 475-0900 (FAX).